

SENATE BILL 209

C1
SB 430/10 – JPR

11r1361
CF 11r1436

By: **Senators Kelley and Raskin**
Introduced and read first time: January 27, 2011
Assigned to: Judicial Proceedings

A BILL ENTITLED

1 AN ACT concerning

2 **Corporations and Associations – Low-Profit Limited Liability Companies**

3 FOR the purpose of authorizing the formation of a certain low-profit limited liability
4 company as a permitted form of unincorporated business organization;
5 requiring the name of a low-profit limited liability company to include certain
6 words or abbreviations; requiring a low-profit limited liability company to meet
7 certain requirements; providing that if a low-profit limited liability company
8 that met certain requirements at its formation subsequently ceases to satisfy a
9 certain requirement, it shall immediately cease to be a low-profit limited
10 liability company but may continue to exist as a limited liability company under
11 certain circumstances; requiring that the articles of organization for a limited
12 liability company set forth whether it is a low-profit limited liability company;
13 defining a certain term; and generally relating to low-profit limited liability
14 companies.

15 BY repealing and reenacting, with amendments,
16 Article – Corporations and Associations
17 Section 1–501, 1–502(b) and (f), 4A–101(m) through (q), and 4A–204(a)
18 Annotated Code of Maryland
19 (2007 Replacement Volume and 2010 Supplement)

20 BY adding to
21 Article – Corporations and Associations
22 Section 1–502(f), 4A–101(m), and 4A–201.1
23 Annotated Code of Maryland
24 (2007 Replacement Volume and 2010 Supplement)

25 BY repealing and reenacting, without amendments,
26 Article – Corporations and Associations
27 Section 4A–101(a) and (k)
28 Annotated Code of Maryland

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.



1 (2007 Replacement Volume and 2010 Supplement)

2 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
3 MARYLAND, That the Laws of Maryland read as follows:

4 **Article – Corporations and Associations**

5 1–501.

6 In this subtitle, “entity” includes:

- 7 (1) A corporation;
- 8 (2) A limited liability company;
- 9 (3) A limited liability partnership;
- 10 (4) A limited partnership;
- 11 (5) A limited liability limited partnership;
- 12 **(6) A LOW–PROFIT LIMITED LIABILITY COMPANY;**
- 13 **[(6)] (7)** A professional corporation;
- 14 **[(7)] (8)** A trade name filer; and
- 15 **[(8)] (9)** A business trust.

16 1–502.

17 (b) **[The] EXCEPT AS PROVIDED IN SUBSECTION (F) OF THIS SECTION,**
18 **THE** name of a limited liability company must include:

- 19 (1) The words “limited liability company”;
- 20 (2) “L.L.C.”;
- 21 (3) “LLC”;
- 22 (4) “L.C.”; or
- 23 (5) “LC”.

24 **(F) THE NAME OF A LOW–PROFIT LIMITED LIABILITY COMPANY MUST**
25 **INCLUDE:**

1 **(1) THE WORDS “LOW-PROFIT LIMITED LIABILITY COMPANY”;**

2 **(2) THE ABBREVIATION “L3C”; OR**

3 **(3) THE ABBREVIATION “L3C”.**

4 **[(f)] (G)** (1) The corporate name of a professional corporation must
5 include:

6 (i) The word “chartered”;

7 (ii) The abbreviation “chtd.”;

8 (iii) The words “professional association”;

9 (iv) The abbreviation “P.A.”;

10 (v) The words “professional corporation”; or

11 (vi) The abbreviation “P.C.”.

12 (2) A professional corporation need not use any word specified under
13 paragraph (1) of this subsection if:

14 (i) The corporation has registered the name to be used in the
15 manner provided in § 1-406 of this title; and

16 (ii) The name is the same as its corporate name except for the
17 allowable omissions.

18 4A-101.

19 (a) In this title the following terms have the meanings indicated.

20 (k) “Limited liability company” or “domestic limited liability company”
21 means a permitted form of unincorporated business organization which is organized
22 and existing under this title.

23 **(M) “LOW-PROFIT LIMITED LIABILITY COMPANY” MEANS A LIMITED**
24 **LIABILITY COMPANY THAT:**

25 **(1) MEETS THE REQUIREMENTS OF § 4A-201.1(B) OF THIS TITLE;**
26 **AND**

27 **(2) COMPLIES WITH § 1-502(F) OF THIS ARTICLE AND**
28 **§ 4A-204(A)(4) OF THIS TITLE.**

1 **[(m)] (N)** (1) “Member” means a person with an interest in a limited
2 liability company with the rights and obligations specified under this title.

3 (2) “Member” includes a person who has been admitted as a member
4 of a limited liability company organized in the State or a foreign limited liability
5 company.

6 **[(n)] (O)** “Operating agreement” means the agreement and any
7 amendments thereto, of the members as to the affairs of a limited liability company
8 and the conduct of its business.

9 **[(o)] (P)** “Partnership” means a partnership formed under the laws of this
10 State, any other state, or under the laws of a foreign country.

11 **[(p)] (Q)** (1) “Professional service” has the meaning stated in § 5–101 of
12 this article.

13 (2) “Professional service” includes a service provided by:

14 (i) An architect;

15 (ii) An attorney;

16 (iii) A certified public accountant;

17 (iv) A chiropractor;

18 (v) A dentist;

19 (vi) An osteopath;

20 (vii) A physician;

21 (viii) A podiatrist;

22 (ix) A professional engineer;

23 (x) A psychologist;

24 (xi) A licensed real estate broker, licensed associate real estate
25 broker, or licensed real estate salesperson; or

26 (xii) A veterinarian.

27 **[(q)] (R)** “State” means a state, territory, or possession of the United States,
28 the District of Columbia, or the Commonwealth of Puerto Rico.

1 4A-201.1.

2 (A) A LIMITED LIABILITY COMPANY MAY BE FORMED AS A LOW-PROFIT
3 LIMITED LIABILITY COMPANY UNDER THIS TITLE IF THE LIMITED LIABILITY
4 COMPANY MEETS THE REQUIREMENTS OF SUBSECTION (B) OF THIS SECTION.

5 (B) (1) A LOW-PROFIT LIMITED LIABILITY COMPANY:

6 (I) SHALL HAVE AS ITS BUSINESS PURPOSE TO
7 SIGNIFICANTLY FURTHER THE ACCOMPLISHMENT OF ONE OR MORE
8 CHARITABLE OR EDUCATIONAL PURPOSES WITHIN THE MEANING OF §
9 170(C)(2)(B) OF THE INTERNAL REVENUE CODE AND WOULD NOT HAVE BEEN
10 FORMED BUT FOR THE RELATIONSHIP OF THE LOW-PROFIT LIMITED LIABILITY
11 COMPANY TO THE ACCOMPLISHMENT OF THOSE CHARITABLE OR EDUCATIONAL
12 PURPOSES;

13 (II) MAY NOT HAVE AS A SIGNIFICANT PURPOSE THE
14 PRODUCTION OF INCOME OR THE APPRECIATION OF PROPERTY; AND

15 (III) MAY NOT HAVE AS A PURPOSE THE ACCOMPLISHMENT
16 OF ONE OR MORE POLITICAL OR LEGISLATIVE PURPOSES WITHIN THE MEANING
17 OF § 170(C)(2)(D) OF THE INTERNAL REVENUE CODE.

18 (2) FOR PURPOSES OF PARAGRAPH (1)(II) OF THIS SUBSECTION,
19 THE FACT THAT A LOW-PROFIT LIMITED LIABILITY COMPANY PRODUCES
20 SIGNIFICANT INCOME OR CAPITAL APPRECIATION SHALL NOT, IN THE ABSENCE
21 OF OTHER FACTORS, BE CONCLUSIVE EVIDENCE OF A SIGNIFICANT PURPOSE
22 INVOLVING THE PRODUCTION OF INCOME OR THE APPRECIATION OF
23 PROPERTY.

24 (C) (1) IF A LOW-PROFIT LIMITED LIABILITY COMPANY THAT MET
25 THE REQUIREMENTS OF SUBSECTION (B) OF THIS SECTION AT ITS FORMATION
26 AT ANY TIME CEASES TO SATISFY ANY OF THE REQUIREMENTS OF SUBSECTION
27 (B) OF THIS SECTION, THE LOW-PROFIT LIMITED LIABILITY COMPANY SHALL
28 IMMEDIATELY CEASE TO BE A LOW-PROFIT LIMITED LIABILITY COMPANY BUT
29 BY CONTINUING TO MEET ALL THE OTHER REQUIREMENTS OF THIS TITLE WILL
30 CONTINUE TO EXIST AS A LIMITED LIABILITY COMPANY.

31 (2) A LOW-PROFIT LIMITED LIABILITY COMPANY THAT CEASES
32 TO BE A LOW-PROFIT LIMITED LIABILITY COMPANY BUT CONTINUES TO EXIST
33 AS A LIMITED LIABILITY COMPANY SHALL CHANGE ITS NAME TO CONFORM WITH
34 § 1-502(B) OF THIS ARTICLE.

1 4A-204.

2 (a) The articles of organization shall set forth:

3 (1) The name of the limited liability company;

4 (2) The purpose for which the limited liability company is formed;

5 (3) The address of its principal office in this State and the name and
6 address of its resident agent; [and]

7 (4) **WHETHER THE LIMITED LIABILITY COMPANY IS A**
8 **LOW-PROFIT LIMITED LIABILITY COMPANY; AND**

9 [(4)] (5) Any other provision, not inconsistent with law, which the
10 members elect to set out in the articles, including, but not limited to, a statement that
11 the authority of members to act for the limited liability company solely by virtue of
12 their being members is limited.

13 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
14 October 1, 2011.